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1988 Montana State
Lottery

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MONTANA STATE LOTTERY
REPORT ON BIG SPIN CONTESTANT
DRAWINGS AND EVENTS

June 30, 1988

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MONTANA STATE LOTTERY
REPORT ON BIG SPIN CONTESTANT
DRAWINGS AND EVENTS

June 30, 1988

JUNKERMIER, CLARK, CAMPANELLA, STEVENS P.C.
Certified Public Accountants

MONTANA STATE LOTTERY
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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
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MARY BRYSON
Operations and EDP Audit

JAMES GILLET
Financial-Compliance Audit

JIM PELLEGRINI
Performance Audit

November 1988

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana State Lottery Observations for the year ended June 30, 1988.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, P.C., under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

MONTANA STATE LOTTERY
Commission Members and Administrative Officials
June 30, 1988

Commission members

Spencer Hegstad, Chairman
Pat DeVries
Glenn Osborne
Jim Moore
Keith Colbo

Residence

Dillon
Polson
Great Falls
Bozeman
Helena

Administrative Officials

Diana S. Dowling, Director
L. John Onstad, Security
Gerald J. LaChere, Operations
Nancy L. Goodspeed, Marketing

MONTANA STATE LOTTERY

INTRODUCTION

We performed agreed-upon procedures on the Montana State Lottery for the period from October 5, 1987 through June 30, 1988.

The agreed-upon procedures consist of (1) witnessing and reporting on all big spin contestant drawings; (2) witnessing and reporting on all big spin events; (3) examining all lottery drawing and spinning equipment prior to and after each related drawing or event; and (4) testing compliance with applicable statutes and regulations.

BACKGROUND

The Montana State Lottery was created in November 1986 by a referendum vote of the people of Montana. The "Montana State Lottery Act of 1985" rules are outlined by Chapter 669 of the Montana Session Laws. The general purpose is to allow lottery games in which the players purchase from the state, through the administration of the state lottery, a chance to win a prize. Disposition of revenue is 45% for prizes, 15% for operating expenses, 5% for commissions to sales agents and the remaining revenue to the Superintendent of Public Instruction for equalization aid to the retirement funds.

REPORTABLE OBSERVATIONS

In addition to the accountants' opinion, we are to report on serious inadequacies in operating controls and procedures, activities not authorized by the Legislature, and our recommendations to the State and the Lottery. We have nothing to report in those areas. The following observations are disclosures and not recommendations.

Statistical Test Results:

From the data collected and the statistical analysis of that data it appears the big spin wheel does generate slots with corresponding prizes in a random manner. Chi-square statistics were used to compare an observed frequency distribution with a distribution that is expected according to assumptions. The test of such comparisons is a test of "goodness of fit." This test measures the uniformity of where the ball comes to rest. Unacceptable results could indicate an imbalance condition or internal wheel problems. With 3 degrees of freedom and 95% confidence level, a value greater than 7.815 would be cause for concern. The results of all the observed spins produces 1.444, which passes the test. A summary of the results are as follows:

	QUADRANTS				
	TOTAL	1-25	26-50	51-75	76-100
Big spin	134	29	42	33	30
Pre/post tests	590	151	150	146	143
100 Test spins	600	148	147	135	170
Totals	1,324	328	339	314	343

WEEKLY REPORT RECAP

Each week we have furnished the Office of the Legislative Auditor with a letter that the contestant drawings and big spin events were performed and observed by us. In addition, the letter would include any unusual occurrences or deviations from the established rules and procedures. One case of an unusual occurrence happened on May 16, 1988. In that case one of the entries drawn necessitated a decision on its eligibility by the Director of the Lottery. The rules state that all the tickets in an entry must be submitted by the same person. The tickets in this entry were all signed by the same person, but the name that was printed on each ticket did not correspond to the signature. In addition, the name on the return address was not the name of the person who signed the tickets. The Director, therefore, ruled that she could not clearly determine that the tickets were all submitted by the same person and ruled the entry invalid. We concur with her ruling.



JUNKERMIER, CLARK, CAMPANELLA, STEVENS PC

Certified Public Accountants

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Commissioners
Montana State Lottery
Helena, Montana

We have applied the procedures enumerated below to the accompanying statement of big spin winnings for the period of October 5, 1987 through June 30, 1988. These procedures, which were agreed to by a legislative auditor's contract were performed solely to assist you in evaluating the procedures used in big spin contestant drawings and events. This report is intended solely for your information and should not be used by those who did not participate in determining the procedures.

The agreed-upon procedures were designed to review the applicable rules as developed by the Montana State Lottery to determine that such rules are adequate to insure:

- all drawings and spins are conducted in accordance with applicable rules and regulations.
- all drawings include eligible participants.
- all drawings and spins are conducted in a secure, honest and fair manner.
- all slots on the big spin wheel have an equal chance to be the winning slot.
- all special promotional drawings are conducted in accordance with applicable rules and regulations.

The agreed-upon procedures consist of:

- witnessing and reporting on all big spin contestant drawings.
- witnessing and reporting on all big spin events.
- examining all lottery drawing and spinning equipment prior to and after each related drawing or event.
- testing compliance with applicable rules, statutes, and regulations.
- witnessing and reporting on all special promotional drawings.

These agreed-upon procedures are substantially less in scope than an examination, the objective of which is the expression of an opinion on the statement of big spin winnings. Accordingly, we do not express such an opinion.

Based on the application of the agreed-upon procedures referred to above, nothing came to our attention that caused us to believe that the accompanying statement of big spin winnings is not presented in conformity with above agreed-upon procedures. Had we performed additional procedures or had we made an examination of the statement of big spin winnings, other matters might have come to our attention that would have been reported to you.

Junkermier, Clark, Campanella, Stevens, PC

Helena, Montana
June 30, 1988

MONTANA LOTTERY
STATEMENT OF BIG SPIN WINNINGS
10/7/87 through 6/30/88

<u>DATE</u>	<u>GAME</u>	<u>CONTESTANTS</u>	<u>WINNINGS</u>
October 7, 1987	13	6	\$ 15,000
October 14, 1987	14	5	13,000
October 21, 1987	15	6	25,000
October 28, 1987	16	5	27,000
November 4, 1987	17	5	3,084,000
November 11, 1987	18	4	14,000
November 18, 1987	19	5	14,000
November 24, 1987	20	4	24,000
December 2, 1987	21	3	629,000
December 9, 1987	22	3	354,000
December 16, 1987	23	3	16,000
December 23, 1987	24	3	9,000
December 30, 1987	25	3	9,000
January 6, 1988	26	3	10,000
January 13, 1988	27	3	8,000
January 20, 1988	28	3	7,000
January 27, 1988	29	3	8,000
February 3, 1988	30	3	6,000
February 10, 1988	31	4	8,000
February 17, 1988	32	3	956,000
February 24, 1988	33	4	15,000
March 2, 1988	34	3	9,000
March 9, 1988	35	3	7,000
March 16, 1988	36	4	8,000
March 23, 1988	37	4	11,000
March 30, 1988	38	3	13,000
April 6, 1988	39	3	10,000
April 13, 1988	40	3	8,000
April 20, 1988	41	3	11,000
April 27, 1988	42	3	17,000
May 4, 1988	43	3	13,000
May 11, 1988	44	3	12,000
May 21, 1988	45	3	10,000
May 28, 1988	46	3	8,000
June 3, 1988	47	3	11,000
June 11, 1988	48	3	5,000
June 18, 1988	49	3	5,000
June 25, 1988	50	3	15,000
			<u>\$5,424,000</u>

